

PART 703—INVESTMENT AND DEPOSIT ACTIVITIES

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AUTHORITY: 12 U.S.C. 1757(7), 1757(8), 1757(15).

SOURCE: 62 FR 33001, June 18, 1997, unless otherwise noted.

§ 703.10 What does this part 703 cover?

This part 703 interprets several of the provisions of Sections 107(7), 107(8), and 107(15) (B) and (C) of the Federal Credit Union Act ("Act"), 12 U.S.C. 1757(7), 1757(8), 1757(15) (B) and (C), which list those securities, deposits, and other obligations in which a federal credit union ("you") may invest.

§ 703.20 What does this part 703 not cover?

This part 703 does not apply to:

- (a) Investment in loans to members and related activities, which is governed by §§ 701.21, 701.22, 701.23, and part 723 of this chapter;
- (b) The purchase of real estate-secured loans pursuant to Section

107(15)(A) of the Act, which is governed by § 701.23 of this chapter;

(c) Investment in credit union service organizations, which is governed by part 712 of this chapter;

(d) Investment in fixed assets, which is governed by § 701.36 of this chapter;

(e) Investment by corporate credit unions, which is governed by part 704 of this chapter; or

(f) Investment activity by state-chartered credit unions, except as provided in § 741.3(a)(3) of this chapter.

[62 FR 33001, June 18, 1997, as amended at 64 FR 33187, June 22, 1999; 64 FR 57365, Oct. 25, 1999]

§ 703.30 What are the responsibilities of my (a federal credit union's) board of directors?

Your (a federal credit union's) board of directors must establish a written investment policy that is consistent with the Act, this part, and other applicable laws and regulations. The investment policy may be part of a broader, asset-liability management policy. Your board must review the policy at least annually. The policy must address the following items:

(a) The purposes and objectives of your investment activities.

(b) The characteristics of the investments you may make. The characteristics of an investment are such things as its issuer, maturity, index, cap, floor, coupon rate, coupon formula, call provision, average life, and interest rate risk.

(c) How you will manage your interest rate risk, including the amount of risk you can take with your investments in relation to your net capital and earnings.

(d) How you will manage your liquidity risk.

(e) How you will manage your credit risk. The policy must list specific institutions, issuers, and counterparties you may use, or criteria for their selection, and limits on the amounts you may invest with each. Counterparty means the party on the other side of a transaction.

(f) How you will manage your concentration risk, which can result from single or related issuers, lack of geographic distribution, holdings of obligations with similar characteristics,